



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

FmHA AN No. 1473 (404)

September 26, 1986

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SUBJECT: Classification of Farmers Program Borrowers to
Collection-Only and Documentation of Plans for
Collection.

TO: All State Directors, District Directors,
State Directors-at-Large, and County Supervisors, FmHA

PURPOSE/INTENDED OUTCOME

The purpose of this Administrative Notice (AN) is to stress the importance of the proper classification of active borrowers to collection-only and the importance of followup, monitoring and collection of those accounts that have not been referred to a collection agency under a Government-wide collection contract.

COMPARISON WITH PREVIOUS AN

None previously issued on this subject.

IMPLEMENTATION RESPONSIBILITIES

A nationwide audit of County Office operations conducted by the Office of Investigation found that County Supervisors were not properly reclassifying active accounts to collection-only or documenting their plans to collect them. The County Supervisor is responsible for the proper classification of borrowers' accounts to collection-only. FmHA Instruction 404.1 provides the guidelines for the classification of collection-only accounts and FmHA Instruction 1951-A, Section 1951.7 sets forth the responsibilities of the District Director and County Supervisor for servicing collection-only accounts. County Supervisors should document in the casefile their present and future plans for servicing collection-only accounts at the time active borrowers are reclassified to collection-only. The documentation in the borrower's casefile should include:

1. A record of the meeting with the borrower(s) to determine repayment ability before classifying the borrower to collection-only.
2. A financial statement submitted before classification so repayment ability can be properly assessed.
3. A record of the decisions reached between the borrower and the County Supervisor regarding payments.

EXPIRATION DATE: July 31, 1987

FILING INSTRUCTIONS: Preceding
FmHA Instruction 404.1



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Complaints of discrimination should be sent to:
Secretary of Agriculture, Washington, D.C. 20250

4. A copy of the collection letter that is sent each year to the borrower to remind the borrower of the unpaid indebtedness.
5. Evidence in the running record that an annual visit was conducted to the borrower's residence to determine the borrower's financial progress and to confirm the borrower's address.
6. Evidence in the running record of the efforts made to collect, including those efforts made to obtain payments so that the Statute of Limitations will not run out.

Field Offices will emphasize at all training meetings the fact that collection-only accounts should be properly classified and serviced expeditiously. Borrowers accounts should be closely reviewed to assure they cannot be debt settled immediately and not be classified to collection-only. The prompt debt settling of a borrowers account(s) alleviates further servicing by the County Offices and reduces the loss to the Government.



VANCE L. CLARK
Administrator